

Message Text

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P R 062131Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY MEXICO PRIORITY

INFO AMEMBASSY MOSCOW

AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: BEXP, MX

SUBJECT: CFE HYDROELECTRIC PROJECTS, NEGOTIATION PLANS

REF: PHONCON LU/HAYNE/STANFORD OF JUNE 6, 1975

1. THIS CABLE CONFIRMS REF PHONCON BETWEEN D. LU OF USDOC
MEPD AND ECON/COMMERCIAL SECTION. ALLIS-CHALMERS HYDRO
TURBINE DIVISION, YORK, PA. RECEIVED THE FOLLOWING TELEX
FROM ERIC P. WITSCHY, MANAGING DIRECTOR A-C MEXICANA, S.A.
DATED JUNE 5, 1975:

--- QUOTE: THIS NOON PRIVATE MEETING WITH MR. ARSENIO
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--- FARELL, MANAGING DIRECTOR OF C.F.E. REVEALED

--- THE FOLLOWING:

--- (A) CHICOASEN AND FOUR OTHER PROJECTS
--- AMOUNTING TO A TOTAL OF 4,400 MW WILL BE
--- NEGOTIATED AS PACKAGE DEALS BETWEEN
--- GOVERNMENTS.

--- (B) U.S.S.R. HAS OFFERED TEN YEARS FINANCING
--- AT THREE PERCENT ANNUALLY.

--- (C) SWEDEN TRYING TO MAINTAIN POSITION IN
--- MEXICO AND ENDEAVORING TO EQUAL CONDITIONS.

--- (D) MR. FARELL STATED THAT: "OBVIOUSLY HE WOULD
--- PREFER ALLIS-CHALMERS - USA MADE EQUIPMENT UNDER
--- SIMILAR FINANCIAL CONDITIONS"

--- (E) JAPANESE EQUIPMENT WILL NOT BE CONSIDERED IM
--- VIEW OF POOR EXPERIENCE.

--- (F) UNLESS SWEDEN AND USA OFFER SIMILAR
--- PROPOSITION, NO PUBLIC TENDER WILL BE ISSUED.

--- (G) IN THIS EVENT HE WILL TRAVEL TO MOSCOW TO
--- INITIATE NEGOTIATIONS NEXT WEEK TO COVER 8 - 300 MW
--- UNITS FOR CHICOASEN, TOTAL OF 400 MW FOR PENITAS,
--- 400 MW FOR TEMASCAL, 600 MW FOR CARACOL AND 600 MW
--- FOR SAN JUAN TETEPILCO. UNITS ARE COMPLETE

--- PACKAGES CONSISTING OF: HYDRO TURBINES, WATERWHEEL
--- GENERATORS, SWITCHGEAR AND SUBSTATIONS.

--- WE WONDER WHETHER U.S. GOVERNMENT, UNDER THESE
--- CIRCUMSTANCES, WOULD CONSIDER TO BACK UP ITS
--- INDUSTRY IN ORDER NOT TO LOOSE INDEFINITELY THIS
--- COUNTRY'S PRESENT AND FUTURE PUBLIC UTILITY MARKET.
--- UNQUOTE.

2. A-C HAS BEEN ACTIVELY PURSUING HYDROELECTRIC PROJECT
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OPPORTUNITIES IN MEXICO WITH CFE AND HAS SPECIFIC INTEREST
IN THE CHICOASEN HYDROELECTRIC PROJECT. A-C'S ESTIMATE
FOR THE VALUE OF POTENTIAL U.S. EXPORT FOR THE TURBINES,
GENERATORS, SWITCHGEAR AND SUBSTATIONS FOR THE FIVE CFE
PLANTS MENTIONED IS IN THE ORDER OF \$250 MILLION.

3. A-C PLANS TO DISCUSS THE REPORTED USSR FINANCING
OFFER WITH THE EXIMBANK. A-C CALLS OUR ATTENTION TO

APPARENT DISCREPANCY IN FARELL'S COMMENTS THAT THE CFE PROJECTS WILL BE NEGOTIATED AS PACKAGE DEALS BETWEEN GOVERNMENTS AND THAT HE PREFERS A-C, YET TO OUR KNOWLEDGE, FARELL HAS NOT CONTACTED ANY AGENCIES OF USG REGARDING THIS SUBJECT.

4. PER REF PHONCON, EMBASSY'S COMMENTS ON THIS REPORT WOULD BE APPRECIATED. WE WILL KEEP EMBASSY ADVISED OF DEVELOPMENTS HERE IN WASHINGTON. KISSINGER

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